PSYCHOLOGICAL SKILLS
for PROFESSIONAL SERVICES Ltd

# Emotional Intelligence in Professional Services

## What is emotional intelligence and why is it so important in professional services

The success of a professional services firm depends almost entirely on two key value-creating resources working interdependently:

**Resource 1**: The specialist, 'technical' knowledge of expert individuals

**Resource 2**: Valuable relationships with clients

It's easy to understand why firms are traditionally very good at developing 'Resource 1'. As individuals develop expertise in a specialist area of work, their value to the firm and its clients increases exponentially. Frequently, by the time individuals are ready to be promoted to partner-level, they have become experts in their chosen field.

The problem for professional services firms is that having an abundance of highly intelligent expert individuals is not enough: Resource 1 and Resource 2 are not mutually exclusive.

For a professional services firm to grow and prosper, their technical experts need to be able to apply their specialist knowledge through on-going lucrative relationships with clients.

What's more, it is difficult for professional services firms to differentiate themselves on levels of expertise alone. To use a basic economic theory, when searching for a firm to work with, potential clients will probably see many 'substitutes' who could deliver a very similar service.

Similarly, it is hard for individuals to distinguish themselves simply by their level of expertise. Industry peers competing for work will often be just as smart, work just as hard and have just as much experience.

So if expertise is important but not enough on its own, what truly determines the success of your professional services firm?

Firstly, it is the ability of your experts to start, nurture, influence and manage relationships with clients. Having high levels of expertise is useless if you don't have the opportunity to interact and apply this knowledge in on-going client relationships.

Secondly, it is how your specialist experts interact with clients to distinguish the firm from other potential service providers. While knowledge and experience can get individuals 'through the door', their ability to listen, adapt, collaborate, empathise and build trust is what will set the firm apart from competitors and individuals from their peers.

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Thirdly, it is how your technical experts react and behave during the essential 'human' interaction element involved in providing a service.[1] Client interaction, often face-to-face, is a prerequisite in professional services and yet, for some technical experts, client interaction is an uncomfortable and challenging experience. Unfortunately, in a saturated market with firms offering similar services, the way in which your individuals interact with clients can be the key determinant of the value of your brand and whether clients will continue to engage with your firm.

In short, the critical factor for success in professional services is not simply expertise (IQ) but **emotional intelligence** (EQ).

***What is emotional intelligence (EQ)?***

There is frequently a misunderstanding of the definition of emotional intelligence within professional services firms. Emotional intelligence is much more than just personality, self-confidence, initiative and charisma.

Emotional intelligence is an ability to recognise, understand and manage your moods and emotions, as well as their effect on others. It is also the ability to recognise correctly and manage others' emotions. High levels of emotional intelligence enable you to remain calm and resilient under pressure, to think before you act, to build empathy, to listen, to find common ground, to build rapport, to make clients (and colleagues) actively seek you out to share their problems and to become a trustworthy partner to whom clients can refer their own contacts.

## Developing emotional intelligence to progress and lead in the unique dynamics of professional services firms

Our experience, backed up by research suggests there are some internal cultural and political dynamics that are unique to professional services firms. To progress in and eventually lead a firm, you must be able to use EQ to navigate these dynamics to form trusting and collaborative relationships with colleagues.

It is important not to underestimate the importance of relationships ***within*** a professional services firm (not just externally with clients). Indeed, we believe the success of a professional services firm actually depends on three key value-creating resources working interdependently:

1. The specialist, 'technical' expertise of individuals
2. Valuable relationships with clients
3. *Constructive and collaborative relationships between colleagues*

The best-performing professional services firms have teams of individuals who, despite political and cultural dynamics, are able to work constructively and collaboratively in the best interests of the firm as a whole. The critical factor for building consensus, finding common ground and taking decisions - even with complex partnership dynamics – is emotional intelligence.

### i. Using EQ to build 'social capital' and progress within a professional services firm

Developing 'social capital' is essential for individuals who want to progress in a professional services firm. Social capital is defined as "the value created by leveraging knowledge that is embedded within social networks and interrelationships."[2]

[1] A service is defined as "*The action of helping or doing work for someone.*"
[2] "The Oxford Handbook of Professional Service Firms" (2015) edited by Laura Empson, Daniel Muzio, Joseph Broschak, Bob Hinings, Oxford University Press

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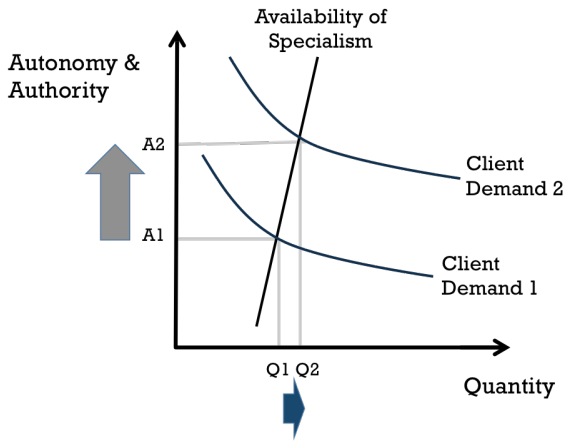
Put simply, your social capital often determines your level of authority, reputation and credibility in the firm because it enables you to build trust, increase status, access more resources and gain greater commitment from colleagues.

The key to building social capital is an ability to form vibrant, creative and trusting relationships with colleagues. Key to this endeavour is emotional intelligence.

**ii. The importance of EQ to lead a professional services firm**

Leading a professional services firm complicated by the cultural and political dynamics found in many organisations. Developing EQ to navigate these dynamics successfully is essential for any current or future leader of the firm.

A professional service firm's reliance on relatively few technical specialists means these individuals may well have significant autonomy and authority within the firm, particularly as they become more in demand. We have illustrated this in the diagram below:




As clients demand more of the specialist's services (Q1 to Client Q2) their level of autonomy and authority within the firm rises exponentially (A1 to A2) since the supply of their expertise is limited.

Knowing how to lead, manage and challenge these individuals who 'resent being cast as followers'[3] requires a great deal of political nous and emotional intelligence.

Traditional 'hierarchical power dynamics' found in most other industries are replaced in professional services firms with a partner group or leadership team that may well have an ambiguous structure with leaders in name only (managing partner/chairman).

In fact, leaders of professional services firms often sacrifice their individual power when assuming control as they pass on their valuable client relationships to colleagues and don't continue to develop their technical expertise.

Despite giving up power and in the absence of a typical 'hierarchical structure' of leadership, leaders must have the emotional intelligence to negotiate with individuals, make decisions, gain consensus, influence colleagues and maintain collegiality among the group.

[3] Professor Laura Empson "Who's in charge? Exploring Leadership Dynamics in Professional Service Firms" Cass Business School June 2013

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This leadership will need to be discrete. That is, leaders need to be able to get commitment and make decisions, without unsettling those partners who do not want to be led.

Professional services leaders must learn when to listen and when to challenge, when to critique and when to intervene.

Knowing how to manage difficult interactions, to take unpopular decisions and to influence a range of stakeholders is critical. Once again, emotional competency is essential.

In short, the success of a professional services firm depends on the ability of its leaders to build constructive and collaborative relationships with colleagues. As Daniel Goleman wrote in 1998: "Without [EQ], a person can have the best training in the world, an incisive, analytical mind, and an endless supply of smart ideas, but he still won't make a great leader."[4]

## Why is Emotional Intelligence still underdeveloped in Professional Services Firms?

As we have seen, emotional intelligence is a critical factor in determining the success of a professional services firm.

It is surprising therefore to find that, while many firms continue to invest heavily in 'technical skills and expertise', relatively few firms put similar emphasis on building the soft skills that create loyalty, mutual trust and valuable relationships between clients and service providers.

So why is soft skills development still not given equal billing to the development of specialist, technical knowledge in professional services? We believe some reasons are more obvious than others.

Specialist knowledge (such as new legislation and accounting updates) is regularly changing and it is clear that subject specialists need to stay on top of these changes to maintain their 'expert' status.

Within the firm, subject specialists may have a particular motivation for maintaining their level of expertise - it makes them indispensable and increases their level of both autonomy and authority.

When competing with colleagues for senior promotions, it is perhaps harder to distinguish between individuals based on emotional intelligence than on their level of knowledge and expertise.

What's more, as previously discussed, the prevalent career path in most professional services firms promotes the development of technical expertise rather than emotional competence.

On the lower rungs of the career ladder junior employees find themselves valued for their generalist abilities but, as their careers progress, they are increasingly encouraged to become specialists and are indeed praised and promoted for success in their field. Unfortunately the end result of this career progression is that, despite having made a series of rational and successful decisions, individuals can end up too narrow and too specialised if they haven't spent the same amount of time developing the essential emotional intelligence required for success in professional services.

We also believe that an under-development in emotional intelligence within firms stems from a misunderstanding of what emotional intelligence actually is.

[4] Daniel Goleman, "What Makes a Leader?" Harvard Business Review January 2004

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Emotional intelligence is a skill. However, within firms it is frequently misinterpreted with labels such as 'self-confidence', 'initiative' or 'charisma'. We would argue that these adjectives actually describe innate character qualities or 'talents' – not emotional intelligence.

Emotional intelligence is a skill because it can be trained, practised, developed and improved. Some individuals will have innate talents that mean they can develop emotional intelligence more speedily, in the same way that some individuals have an innate ability to pick up specialist knowledge faster than others. Ultimately, everyone can choose to learn and refine the core skills and behaviours associated with emotional intelligence. As Seth Godin has previously written: "realizing that [something is] a skill is incredibly empowering and opens the door of possibility."[5]

## Give emotional intelligence the status it deserves in professional services

The critical factor for success in professional services is not simply expertise (IQ) but **emotional intelligence** (EQ). While technical knowledge and expertise are prerequisites, the ability to start, nurture, influence and manage relationships both externally with clients and internally with colleagues is what will differentiate your firm and your people from the rest.

As James Runde recently wrote in the Harvard Business Review about emotional intelligence in professional services firms: "People starting out their careers tend to think that finding answers is the most important part of the job. But while we are in the solutions business, finding the right solution is often not what holds us back. Experience has taught me that if a client tells me the problem, we will always come up with a thoughtful response. The real challenge is getting the client to tell you the problem."[6]

In summary, technical expertise is wasted if experts cannot create the opportunities to interact and apply this knowledge in on-going, valuable client relationships.

Trying to differentiate your firm on its levels of technical knowledge and experience alone will not suffice when many firms and industry peers are able to offer similar levels of expertise and experience. While knowledge and experience can get individuals 'through the door', their ability to listen, adapt, collaborate, empathise and build trust is what will set the firm apart from competitors and individuals from their peers.

Within most professional services firms there are unique cultural and political dynamics to be navigated if collaborative and constructive relationships are to be forged. Knowing how to build social capital and lead colleagues who are used to having extensive individual autonomy and authority is essential.

Finally, the fact that 'human' interaction is essential in professional services can be for some technical experts an uncomfortable and challenging aspect of the role.

Giving employees the opportunity to learn, practise and develop emotional intelligence will differentiate a firm from competitors, set technical experts apart from industry peers, make clients actively seek a firm out to solve their problems and demonstrate to clients they are a trustworthy partner to whom they can refer their own contacts. In an industry where 84% of new business comes from referrals[7], emotional intelligence is more important than ever.

It is time for professional services firms to recognise that there is nothing 'soft' about soft skills.

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[5] Seth Godin, "Skills vs. Talents" Accessed 23rd September 2016 www.sethgodin.typepad.com
[6] James Runde, "Why Young Bankers, Lawyers, and Consultants Need Emotional Intelligence" Harvard Business Review 26th September 2016
[7] Laurence Minsky and Keith A. Quesenberry "How B2B Sales Can Benefit from Social Selling" Harvard Business Review 8th November 2016

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